

**CITY OF CHULA VISTA
MINUTES**

HOUSING ADVISORY COMMISSION (SPECIAL) MEETING

**WEDNESDAY, APRIL 2, 2008
3:30 P.M.**

**CITY HALL BY CLERK'S OFFICE
CONFERENCE ROOM #C103**

CALL TO ORDER/ROLL CALL – 3:45 p.m.

PRESENT: Steve Zasqueta, Margie Reese, Dina Chavez, Gregory Alabado, Earl Jentz, Mark Minas

ABSENT: Armida Martin Del Campo, Aurora Cudal

STAFF: Stacey Kurz, Senior Project Coordinator
Amanda Mills, Redevelopment & Housing Manager

1. HOUSING ELEMENT ANNUAL REPORT (Informational Item)

The reporting period is from July 2006 – December 2007. She discussed building permits issued during this period, as well as permits anticipated for the coming calendar year. She also provided an explanation of a graph, which had been distributed to staff stating that it was intended to standardize the reporting of housing elements throughout the state. Staff Kurz elaborated further on details and specific data from the graph.

Staff Kurz presented a summary of the work program, highlighting progress on goals and policies, as summarized below.

- Community Housing Improvement Program (CHIP) - From 2005 – 2007, 23 grants and 17 loans were issued, funded through one of our federal grant programs.
- Castle Park Neighborhood Revitalization Program - Section 108 received in September of 2006, allocating \$9.5 million toward infrastructure improvements including sidewalk improvements
- Code Enforcement – Through Title 25 have inspected over 1200 mobilehome units. The majority of CHIP loans and grants come out of those inspections. Over 1700 rental units were inspected during the period and through the Castle Park Neighborhood Revitalization Program, just started in July, 44 homes were inspected by the end of December. Staff Kurz was asked if we still only have one inspector. She responded that there is one inspector dedicated to the Castle Park area and one for mobile homes. For rentals, they share the duties.
- Tenant-Based Rental Assistance Program (TBRA) - City-based program started in early 2007, and was used to assist Jade Bay residents that qualified. There are 16 residents from Jay Bay that are utilizing that program today. Section 8 program, administered through the County of San Diego, assisted over 2,600 people during the housing element cycle so far. Staff Mills was asked how much of the \$440,000 allocated for the tenant-based program was used, or how much is projected as being used. Staff Mills responded about half has been through the second year, therefore the funding will last through next fiscal year. Then if we needed to increase money at that time for a potential fourth year,

we would go back to council for authorization. We thought that would be enough money for two years, and it's turning out to be enough money for three full fiscal years.

In addition to our own TBRA funding, South Bay Community Services also has a program for transitional housing with rental assistance, so home funds were allocated for that rental assistance totaling \$315,000.

- Affordable Housing Program - Mainly through our Inclusionary Program, we've created over 200 low, of which 145 have been rentals units and 353 moderate income units since 2005.
- Mortgage Credit Certificate - County administers for us and provides people with a 15% credit toward the annual interest they accrue on their mortgage. 28 households became first-time homebuyers through that program here in Chula Vista. Staff Kurz was asked whether we knew if there had been any that have gone into foreclosure because of the sub-prime lending. Staff Kurz responded that she did not know regarding the MCC program, but that there had not been any foreclosures through our Inclusionary Housing.
- Article 34 - Ballot measure was endorsed by this body, and was passed by voters. Will the Agency to participate in an additional 1600 low income units being built here in the city which we anticipate will carry us for a long time in being able to produce some low income units within the city.

Staff Kurz concluded by saying that for 2008, our work program is focused on developing a comprehensive package of development incentives for affordable housing production. This will include an update of our Inclusionary Policy, to potentially make that an ordinance for the city, formally adopting an in lieu fee, density bonus, and potentially expanding redevelopment project areas and set asides. Member Jentz asked for an explanation of the statewide density bonus. Staff Kurz and Staff Mills provided some details and stated that they staff would be coming back with much more detail.

Member Jentz asked what areas staff was looking at to expand redevelopment project areas. She responded that that was something identified in the housing element as an area to look at and Staff Mills added that a study area had not yet been identified and mentioned some of the challenges involved when working with commercial corridors.

2. THE LANDINGS – ADDITIONAL FINANCING

Staff Kurz recapped the issue as described at the last meeting and provided the members with cost figures, which identified the extra work needed for each of the five units, including plans and specifications that will need to be altered, and additional construction to each unit to allow for elevators.

Staff Kurz stated that the tax credit equity provided some relieve for this item. The total for the five units is \$400,000 with the tax credits providing \$175,000. The applicant will be proposing to ask the Housing Authority for up to an additional \$225,000 in home funds to finance this accessibility requirement.

Members asked for clarification whether the funds would be from the general fund. Staff Kurz stated that it would be federal grant money.

Member Minas asked if the change could increase at all. Staff Kurz stated that they were not anticipating anything above and beyond this request.

Vice Chair Reese asked if approval of this \$225,000 would we be taking away from another project. Staff Mills answered no, and stated that we have about \$800,000 a year in HOME funds. We have approximately \$1.6 million designated for future affordable housing projects.

Member Minas asked if this could serve as a benchmark for any future construction of these types of units. Staff Mills answered yes and no—we always refer to average dollars per unit, and talk about a range of how much we're willing to spend on a per unit basis. She further indicated that they also look at a cost per unit, not just subsidy, but the total cost per unit. These are three-bedroom family units that were townhomes, so something that is one and two-bedroom walk-ups, garden-style apartments, would be different. Or something that is 92 units versus 16 would be different because of the economy of scale, the cost per unit on the small project would actually be higher because the 92 units could absorb more. Staff Mills concluded by stating that they do use these average costs and maximum total costs, but it doesn't limit them or prevent them from looking at other factors of a project.

Staff Kurz asked direction from the commission as to whether they would recommend that the Housing Authority and City Council approve additional allocations at a maximum of \$225,000 in HOME funds toward the Landings project.

Vice Chair Reese made a motion to recommend the Housing Authority approve no more than \$225,000 in additional HOME funds for this project. Member Alabado seconded the motion. All other members agreed unanimously.

3. EASTLAKE III AFFORDABLE HOUSING OBLIGATION

Staff Kurz provided details on the proposed project in Eastlake III. It was previously proposed as a senior complex—a luxury 55+ community. That project has now been transformed into a project called Windstar that is 498 units of luxury rental apartments not senior restricted. Clarification was asked for the location of the project - the plot of land north of the Olympic Training Center (OTC). Staff Mills responded that it was northeast of the training center and that it was originally zoned for visitor serving commercial use. It was thought that there would be a hotel there to accommodate visitors coming to the OTC, but the center hasn't turned out to be what everybody thought it would be, so Eastlake III requested to rezone to residential. It was asked why the project went from senior to luxury. Staff Mills responded that when it was determined that there was no market for a hotel, and the plan was amended to become residential, the project was planned for an active senior resort-style project, but the market changed and the developer, Del Web, didn't feel they would be able to sell the units for what it would cost them.

A new developer, Windstar, came in, but could only do the project as apartments for the general population. Staff Kurz added that the senior complex that had been proposed actually triggered 25 low income obligations, but now that Windstar has come in and said that they would produce the same amount of units, that 25-unit obligation carries through for the Eastlake III SPA because it's an obligation for the entire SPA plan, not just on a unit-by-unit basis. Windstar came to the City saying they were not able to meet that obligation on site. The reasons were mainly financial due to construction costs of their luxury apartment product type, their land acquisition price, which is quite high due to the location overlooking the lake. And also, the difference between a rental and a for sale product is that when you have a for sale product, you pass a lot of your cost on to that buyer, so any on-going fee obligation gets passed on to that buyer as opposed to staying with the developer. With the rental product that has been proposed, Windstar will have an on-going fee obligation, and that increases their carrying costs.

Staff Kurz further indicated that the inclusionary policy does provide for alternative methods for fulfilling the affordable obligation if they can show an unreasonable hardship, and that at the staff

level they believe that they have, based on information they've provided on the financial analysis. The alternative method they have discussed with them and the agreement that has been drafted that will be presented to Council, and at Council's discretion to approve or alter, would be for Eastlake III to post a bond as security. The hope would be that they would build these units on the Olympic Training Center as the first option, somewhere outside the Eastlake community as the second option, or payment of the in lieu fee. The in lieu fee is \$124,000 per unit, which amounts to over \$3 million.

The agreement identifies that within a four year period any unit, whether it be at the Olympic Training Center or offsite, would have to be built. There are additional milestones including within two years a regulatory agreement for those units. And if at any point they missed those milestones, it would trigger a pulling of that bond. So we would end up with either 25 low income units on the Olympic Training Center, somewhere else in the community, or we would have the bond amount of \$3.1 million dollars to utilize toward future affordable housing developments.

Member Chavez was asked if "outside of the Eastlake community" could mean on the west side of Chula Vista. Staff Kurz said potentially. She added that they would have to come in within the next two years to make a proposal to us, and we would have a regulatory agreement, which would probably come back to this body for review and recommendation.

Vice Chair Reese asked that if the bond was pulled, whether that meant that the City would take the \$3 million and build 25 low income units someplace. Staff Kurz responded that as part of the overall housing policy package that they'll be developing over the next year, one of the things they'll be doing is identifying an affordable housing fund that any in lieu fees that are collected will be put into. In addition, any units at our affordable developments like at Mar Brisa where we have a sale of a property, any of that equity share would also go into this pot, and we'll identify the regulations for that pot of money and how it's to be utilized. The goal of the in lieu fee update that will be conducted in the next year is to create enough money to build another unit with those funds.

Vice Chair Reese asked if the in lieu fee would be enough to build 25 units. Staff Mills responded that's \$124,000 a unit. She added that that's only a city subsidy, and that we don't pay 100% of the unit. She further stated that depending on the project, we could subsidize between 20 and 30 units.

Member Jentz stated that he felt there was a risk—that the construction costs have changed so much over the past few years, and that they should try and build in a factor so that the developer bears the risk, not the city. Maybe an escalation price based on the construction price index. Chair Zasuda asked if this had been done before, or by other cities. Staff Mills responded that the city has not collected any fees to date. The City of Chula Vista has been pretty successful at getting units built by developers, and that's primarily because at the beginning of large projects in the east, a developer has already identified where they are going to put the affordable housing. The reason we're getting into this issue at this point is because Eastlake III is essentially built out. In terms of other cities, staff Mills indicated that she has not seen anybody build in an inflation factor. Typically when you pay a fee, you pay it at the time you incur the obligation. This is a very unique situation that they have to pay four years from now. The idea is that they don't have to pay us—that's really the goal—that they build the units.

Staff Kurz asked the commission to provide a recommendation on the agreement to Council. She stated that the item would be going to Council next Tuesday, and that the project is on hold. She added that they're ready to move forward once they get approval. Staff Kurz further stated that this was part of a large package amending the SPA Plan.

Vice Chair Reese stated the only difference she would like to see is to explain that they're not paying up front. She added that the fee should be with an inflationary cost for four years from

now because the cost of building something in for years won't be the same as building something now.

Vice Chair Reese made a motion to approve with the following amendment: If the first two options aren't exercised, and the third option is exercised, that an inflationary percentage be added per unit.

Member Minas asked if bonds act that way with inflation. Staff Mills responded that you have to identify the price now because you have to post a particular dollar amount, so we would have to identify what that factor is. You would identify it up front as opposed to actual increase at the end. Chair Zasueta stated that this was an advisory recommendation to Council from the commission, and that it was not really their role to approve it or disapprove it, or vote on it. He stated that they were just making a recommendation. Member Chavez seconded the motion. Staff Mills further explained that the figures were calculated on the current affordability gap, which changes with time.

The motion was restated to approve with the amendment that the agreement should allow for an inflation factor over the four years. The motion carried unanimously.

4. STAFF REPORTS

Staff Kurz provided a brief overview on current projects.

- Flamingo Trailer Park – Residents were notified in January that they are intending to apply for a development application. They are intending to present to the Redevelopment Advisory Committee in May.
- El Dorado Ridge – Staff Kurz provided an introduction to the 104-townhome project. Eleven units will be affordable units, a minimum of six to be low income. She mentioned some of the environmental constraints and subsequent financial aspects the developer has faced involving the project.

5. MEMBER'S COMMENTS

- Chair Zasueta announced that he will be deployed to Iraq from mid-November to mid-May. He will be in military pre-deployment status beginning mid-August. He indicated that his absence would be approximately ten months, and that he would resign his position on the board, with June being his last meeting. Staff Mills indicated that the Mayor's Office is interviewing to fill the vacancy.
- Chair Zasueta indicated that he would not be present at the April 23rd meeting, and stated that he would like to be excused from that meeting if it is held.
- Member Vice Chair Reese made a motion that the April 23rd meeting be cancelled, contingent on the attorney's office being unable to attend to discuss conflict of interest. Member Minas seconded the motion. The motion carried unanimously.

6. ORAL COMMUNICATIONS

None.

7. ADJOURNMENT - Meeting was adjourned at 5:10 p.m. to the next regular meeting of May 28, 2008.